

# The Regional Economic Outlook

**Presented by:**  
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**Director of Government Svcs**

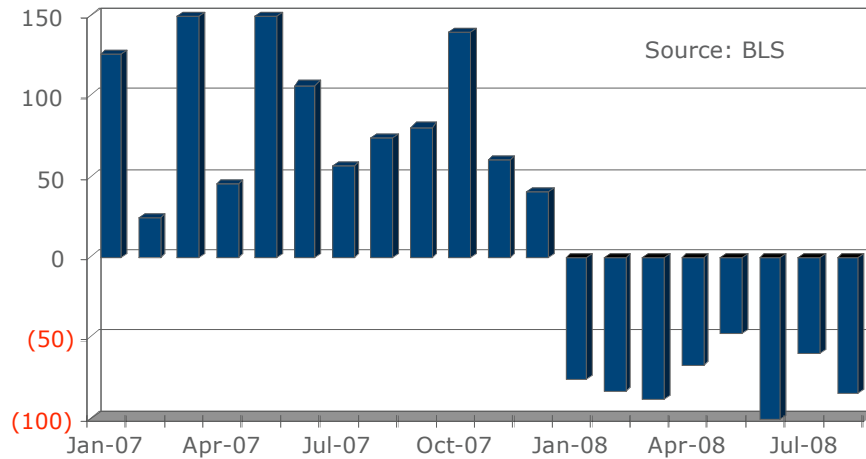
Prepared for: FTA  
Revenue Estimating  
Conference  
September 15, 2008



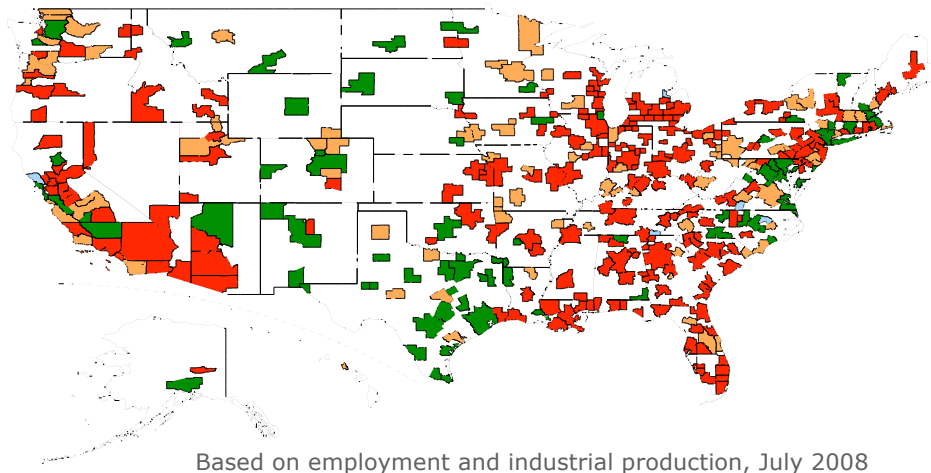
## Recent Economic Performance

## The Job Market Signals Recession...

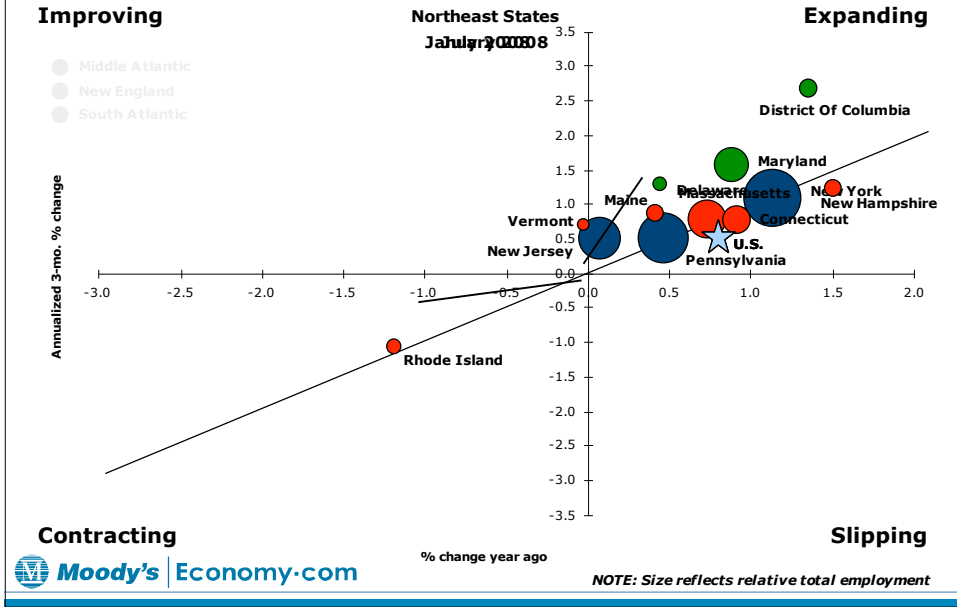
### Change in payroll jobs, ths



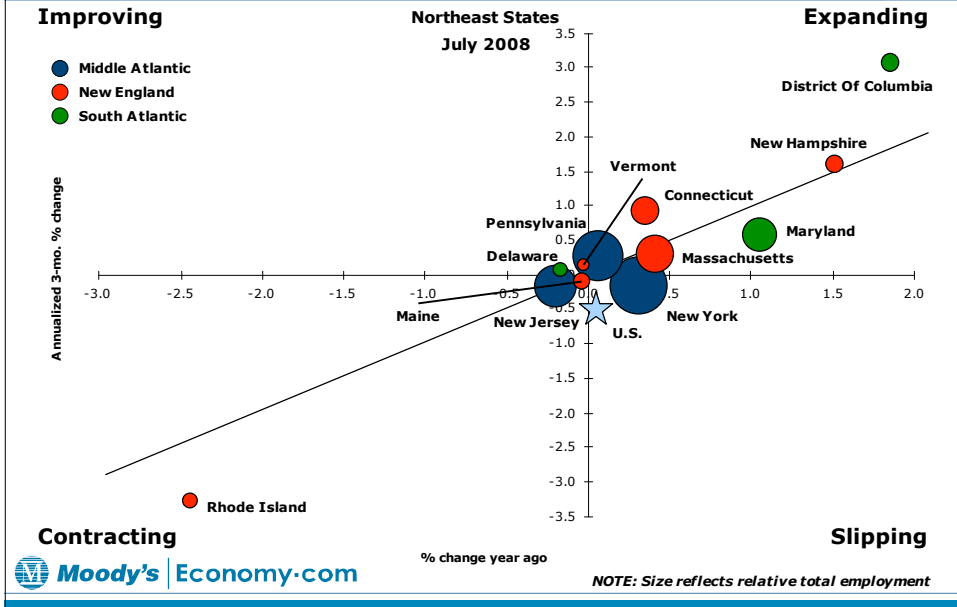
## ...In An Increasing Number of Areas



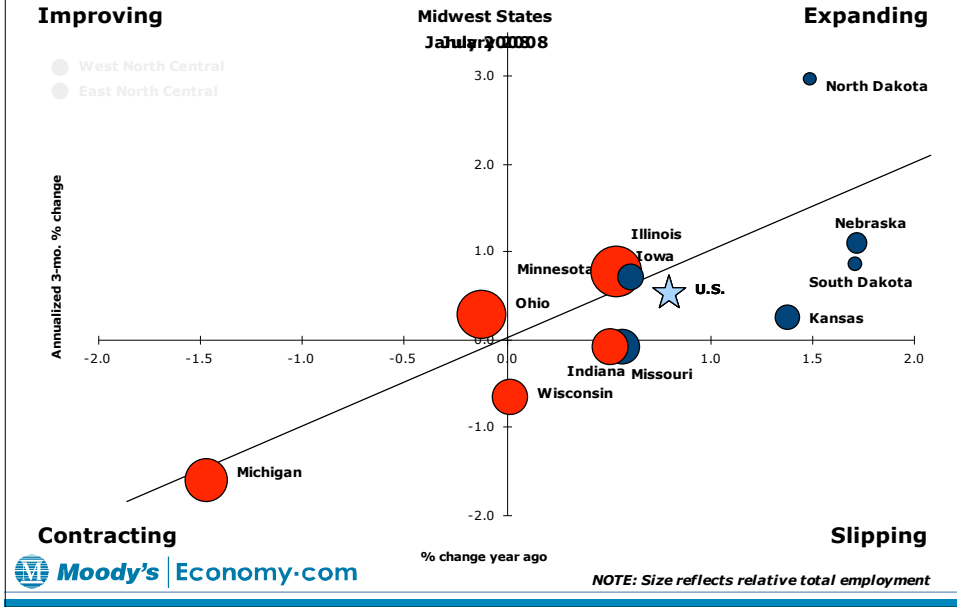
### Northeast States—Payroll Employment One-year vs. 3-month performance, 3-mo. MA



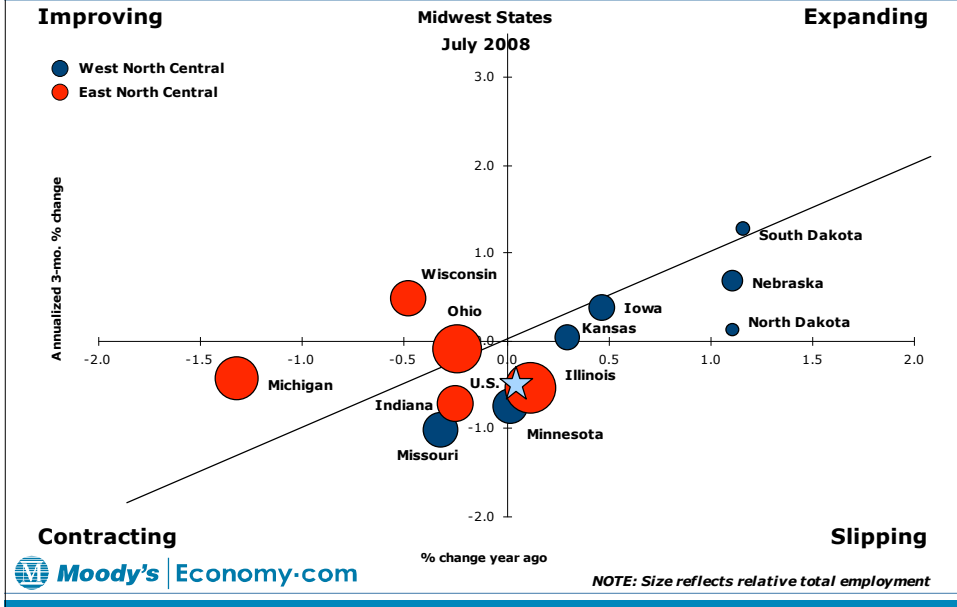
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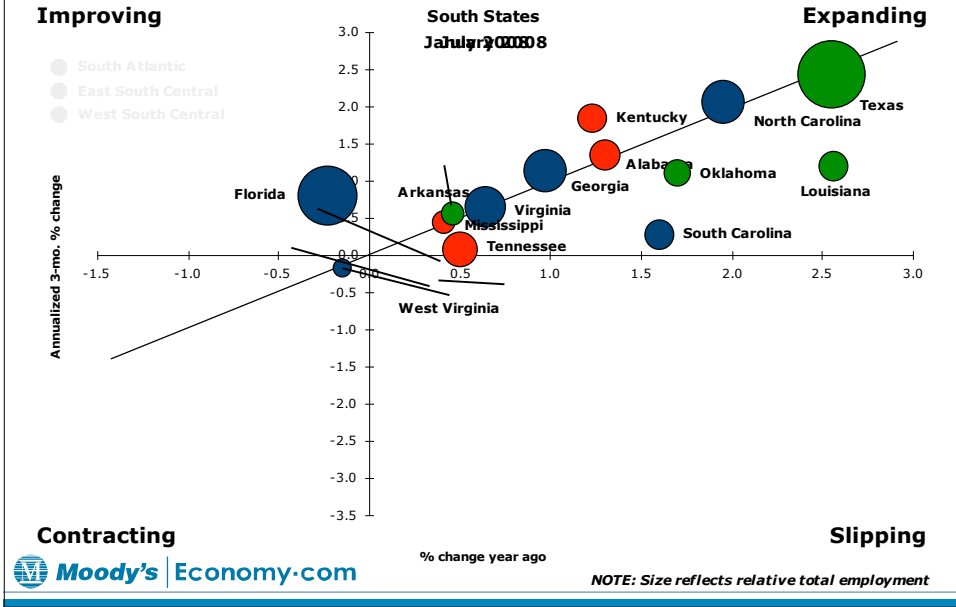
### Midwest States—Payroll Employment One-year vs. 3-month performance, 3-mo. MA



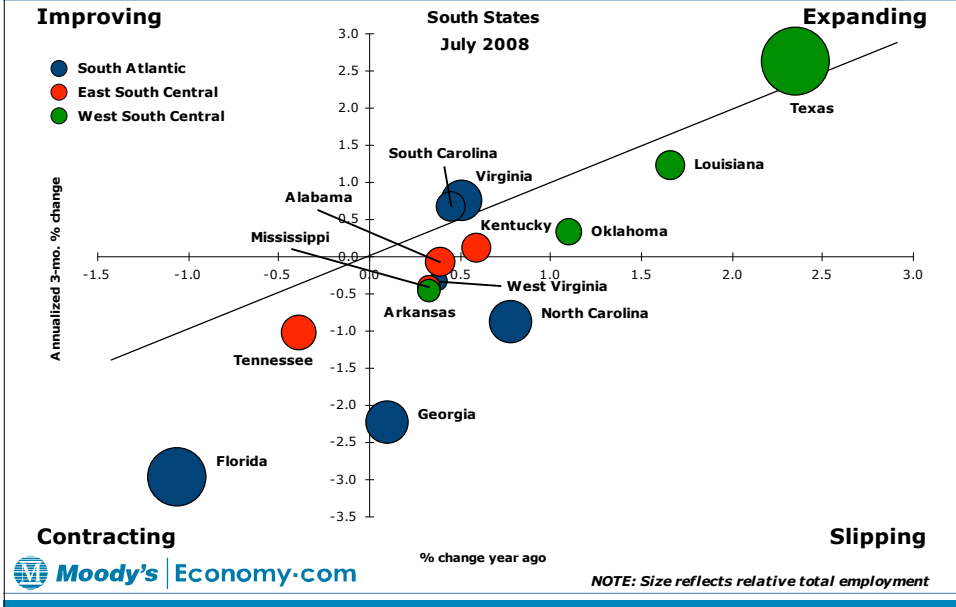
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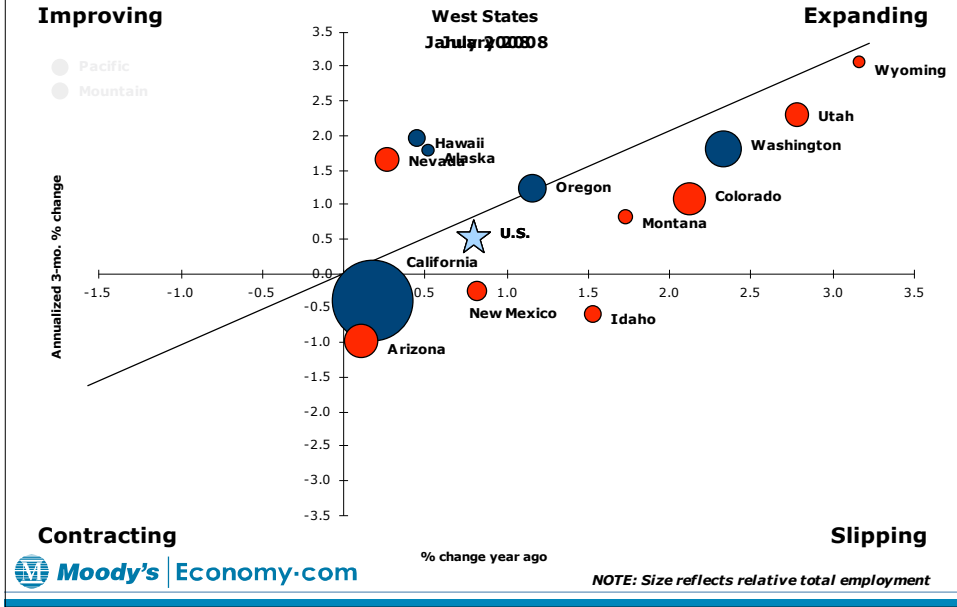
### South States—Payroll Employment One-year vs. 3-month performance, 3-mo. MA



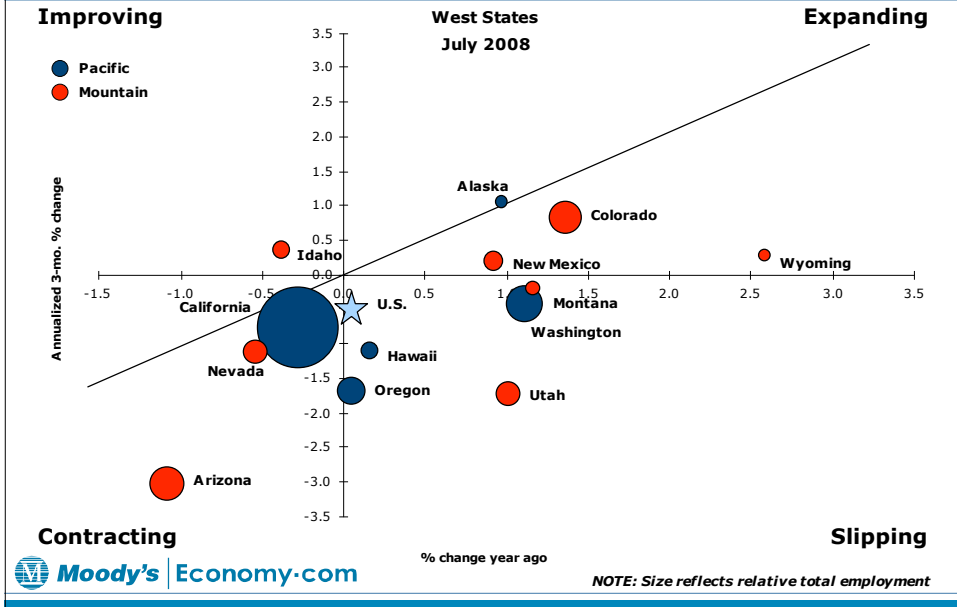
### South States—Payroll Employment One-year vs. 3-month performance, 3-mo. MA



### West States—Payroll Employment One-year vs. 3-month performance, 3-mo. MA



### West States—Payroll Employment One-year vs. 3-month performance, 3-mo. MA



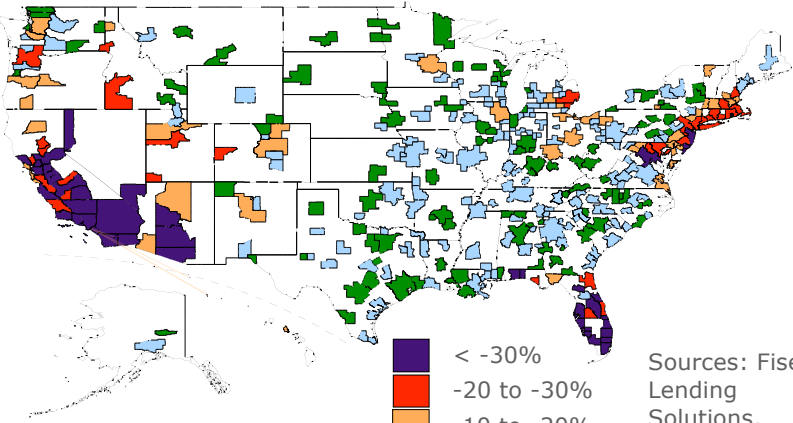
**Drags/Downside Risks**








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**An Unprecedented Housing Downturn...**

**Projected peak-to-trough house price decline, U.S. = -26%**



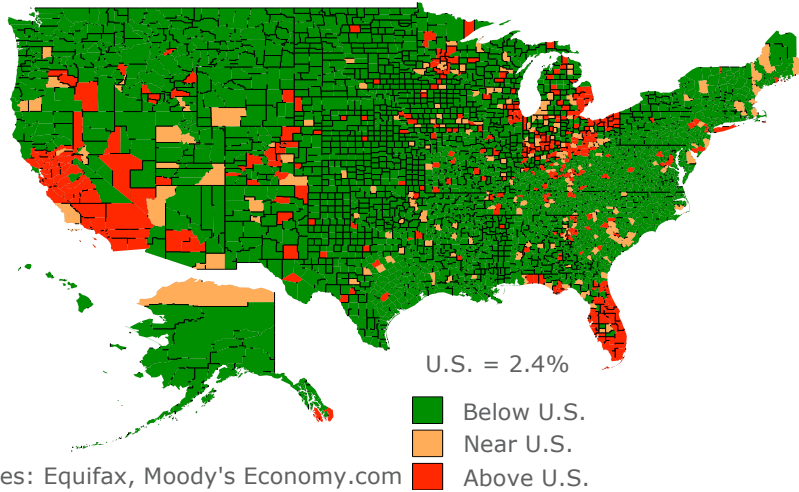
	< -30%
	-20 to -30%
	-10 to -20%
	0 to -10%
	No decline

Sources: Fiserv Lending Solutions, Moody's Economy.com, OFHEO

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## ...Ignites a Mortgage Crisis

% of households defaulting on their first mortgage, 2008Q2



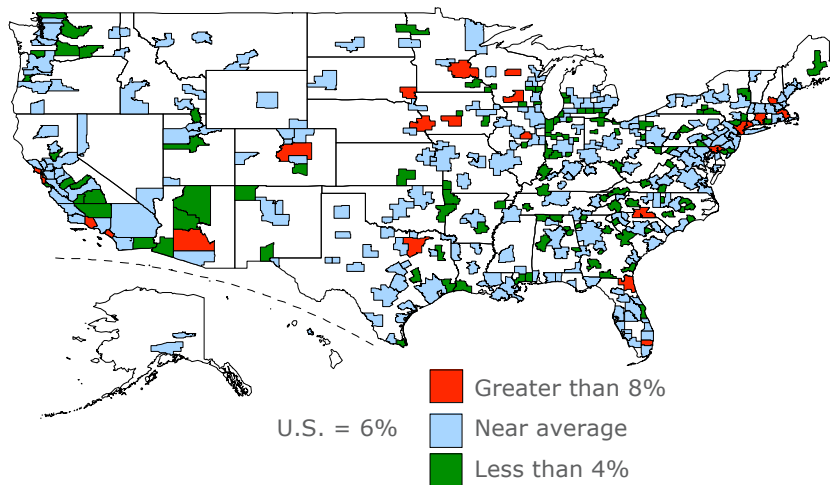
Sources: Equifax, Moody's Economy.com

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## Job Cuts in Financial Services Add Further Risk

Employment, financial services, % of total, 2007



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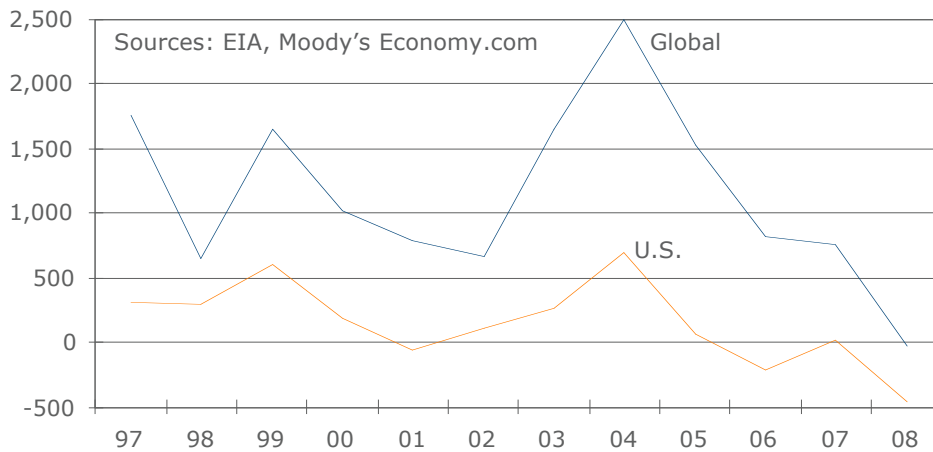
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## Growth Drivers/Up side Risks

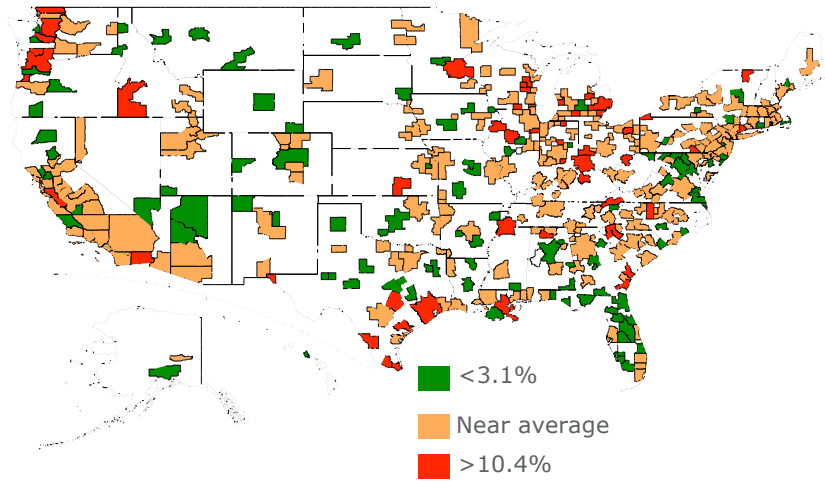
## Relief Will Come From Lower Oil Prices

### Change in oil demand, mil barrels per day



## Exports Boost All Regions

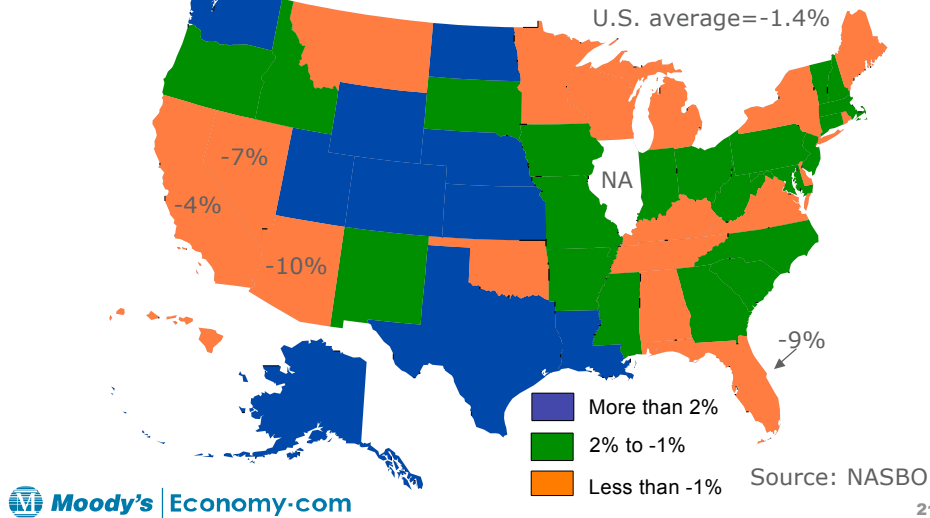
Exports, % of gross product, 2006



## Impact on State Government Finances

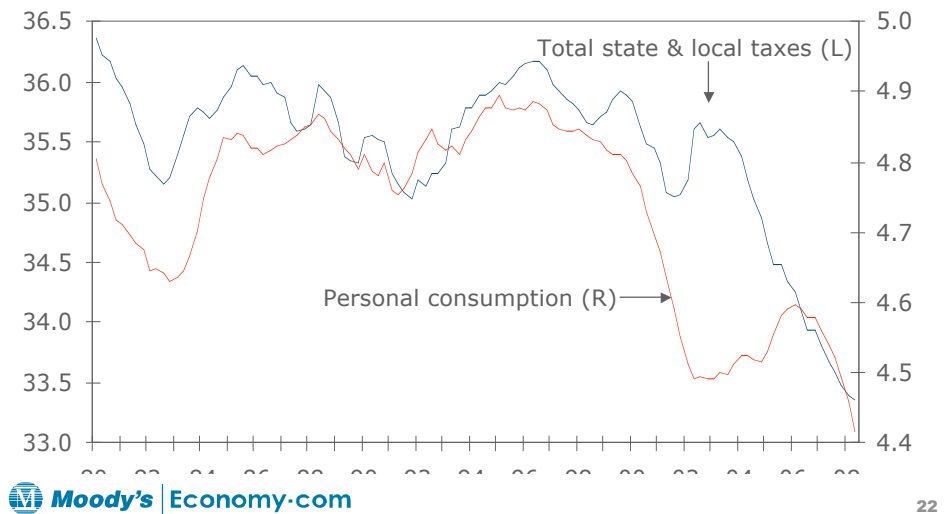
## Resource States Boom, Housing States Crash

FY08 actual vs. projected tax revenues, % difference

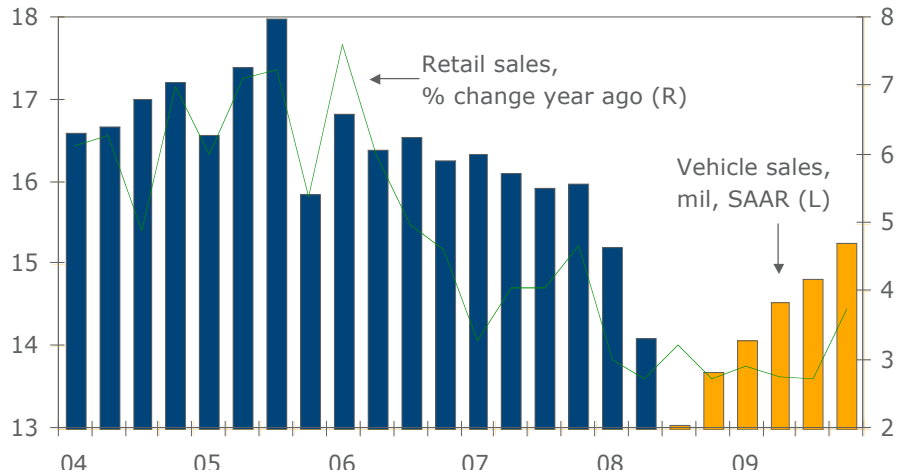


## A Bad Cycle for Sales Tax States

General sales taxes, % share of:



## Not Much of a Recovery in Spending

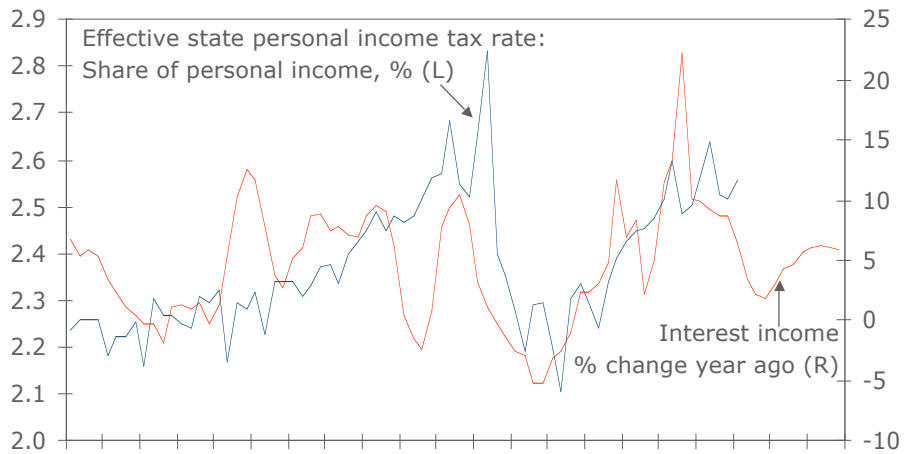


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## Next Shoe to Drop: Personal Income Taxes

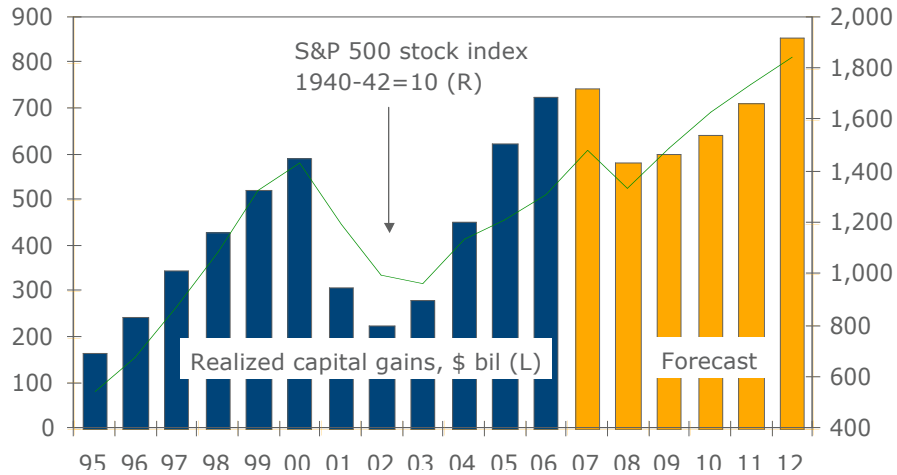
Source: NIPA



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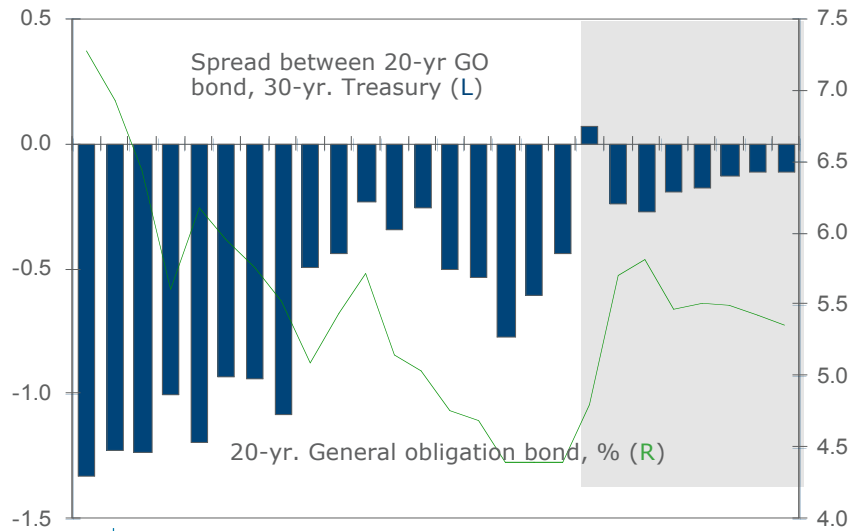
## Capital Gains Have Been Running Hot



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## State Borrowing Costs Are Out of Line



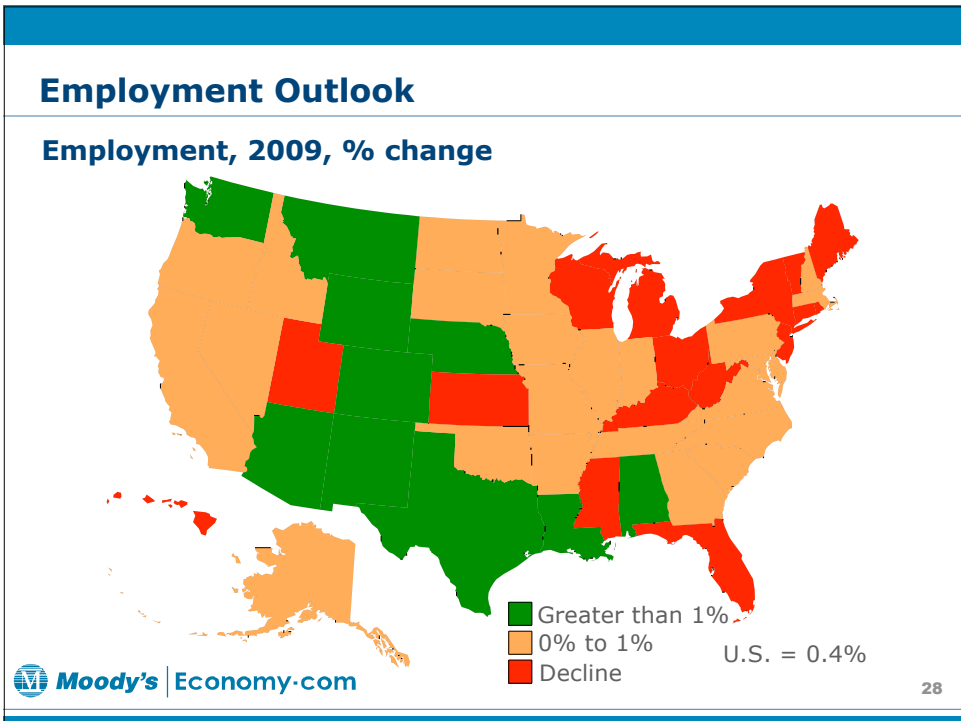
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**Outlook**



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## Outlook for State Tax Revenue

### General fund taxes, % change, FY09

